

Indiana *ENERGY*

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Citizens Gas & Coke Utility

Community Natural Gas Co. Inc.

Indiana Natural Gas Corp.

Indianapolis Power & Light Company

Kokomo Gas & Fuel Co.

Lawrenceburg Gas Co.

Midwest Natural Gas Corp.

Northern Indiana Fuel & Light Co.

Northern Indiana Public Service Co.

Ohio Valley Gas Corp.

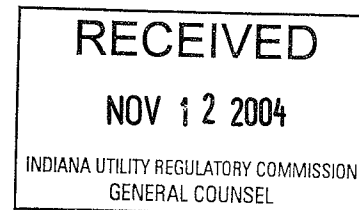
Vectren Energy Delivery of Indiana, Inc.

Westfield Gas Corp.

THE VOICE FOR INDIANA ENERGY

November 12, 2004

Ms. Kristina Kern Wheeler
Office of the General Counsel
Indiana Utility Regulatory Commission
302 West Washington Street, Room E306
Indianapolis, IN 46204-2284




Dear Ms. Wheeler:

Enclosed you will find an original and four copies of the Indiana Energy Association's comments on the Notice of Proposed Rulemaking 04-02 – Customer Service Rights and Responsibilities.

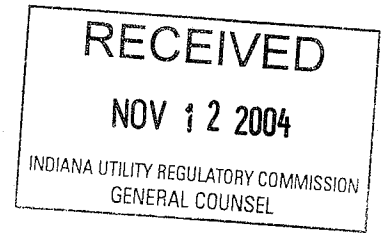
I have also sent an electronic version to your IURC address for your use. Please contact me if you have any questions or concerns regarding our comments.

Very truly yours,


Stanley C. Pinegar
Executive Director

Attachments

**Comments
of the Indiana Energy Association
on the Proposed Customer Service Rules Issued
by the Indiana Utility Regulatory Commission
in its Notice of Proposed Rulemaking 04-02.
LSA Document #04-144 (170 I.A.C. 4-1.2 et. seq.)**



On September 1, 2004, the Indiana Utility Regulatory Commission (Commission) issued proposed rules that would significantly and adversely alter the provision of electric and gas service in the State of Indiana. The rules, if adopted in their current form, will dramatically increase the costs and risks faced by the members of the Indiana Energy Association (IEA) of doing business in Indiana. Promulgation of the rules as proposed will result in significant increases in the rates paid by the general body of utility customers. The rules are well intentioned, but they require input from those experienced and skilled in managing customer relations. As such, the rules will require material modifications to accomplish the laudable goals of ensuring that disadvantaged customers receive energy services during the time they are most needed.

Introduction

The Indiana Energy Association, Inc. is an Indiana nonprofit corporate entity that performs the functions of a trade association for the fourteen Indiana investor-owned electric and gas utilities and one public trust gas utility. The IEA is a diverse group and it advocates, communicates and promotes energy policies on behalf of its members to improve the economy and quality of life in Indiana. The IEA members serve more than 4,000,000 customers in Indiana.

Collectively, the IEA member company employees are trained and experienced in providing service to customers, and in managing the risks faced by utilities in meeting its obligation to serve all those who would be served, including those with financial difficulties and those who don't, yet seek to avoid paying for service they receive. The ability to distinguish between those two groups is one required of the customer service professionals of the IEA members on a daily basis.

The industry works very hard to arrange payment plans with customers that will avoid service terminations. We also work very hard with the governmental and charitable agencies that assist customers in need. We have initiated programs for low income customers in need of assistance such as those implemented by Vectren and Citizen's Gas, and the one proposed by NIPSCO. We do this not just because we are sympathetic to the hardships faced by some customers, but also because it allows us to ultimately be paid for the service we deliver and avoid having to pass on the expense of not being able to collect to other customers in the form of higher rates.

The IEA members have met collectively and individually to analyze and discuss the impact of the proposed rules on their operations and the customers that they serve. We have also met with members of the IURC staff to learn more about the intent and effect of the proposed rules and to share our comments and concerns. The IEA appreciates the Staff's willingness to work with us on these matters and stands ready to

actively participate in workshops and other forums to develop a set of rules that meet the objectives of the commission in a fair, cost effective manner.

Small Company Exemption

IEA membership includes seven smaller, community-based LDCs with less than 50,000 customers. The administrative burdens and additional costs these companies would be subjected to under these proposed rules are best described as overwhelming and unnecessary. It is important to remember the nature of a small town atmosphere in which these companies operate. The employees of these companies know most of their customers personally. Their efforts to shape a payment solution as one which works for both the community and the utility has proven to work under present rules. That relationship and flexibility will be lost operating under the added risk of lost revenue and expense associated with additional service requirements. We urge the Commission to exempt these companies from rules beyond those already in place.

General Comments

The IEA's general written comments today will not attempt to delve into every nuance and issue raised by the proposed rules. Each IEA member company will likely avail itself of the opportunity to identify and discuss the issues of specific concern to their particular circumstances. Instead, the IEA will focus on the global impact of the proposed rules that is generic to the energy industry. Specifically, the IEA will comment on:

- 1) The failure of the rules to distinguish between those customers with a legitimate need for protection and those who would take advantage, to the detriment of the general body of customers, of the proposed rules.
- 2) The failure of the rules to recognize and provide for the timely recovery of costs that will be created if the rules are adopted as proposed.
- 3) The failure of the rules to recognize the appropriateness of managing customer migrations in a cost effective and accurate manner.
- 4) The failure of the rules to recognize the limits of the statutory authority of the Commission to delegate its authority and to manage the businesses of those it is charged to regulate.

While the IEA cannot support the rules as they are proposed, it does recognize that the rules have thoughtfully addressed issues and concerns of the industry. For example, the rules recognize that credit scoring is a legitimate tool used by the industry as one means of evaluating creditworthiness. The ability to use this tool has allowed utilities to manage its risks and to control the cost of uncollectibles that are ultimately passed on to all customers. In addition, the rules appropriately recognize that the rate of interest paid on deposits under the current rules is unsupportable and unjustified. Tying the rate of interest to a more realistic yardstick is reasonable under today's circumstances.

The problem with the proposed rules is not that they are misguided, rather that they undertake a major revamping of the customer relationship without first studying the issues, gathering insight and experience from those who live and breath these issues every day.

The members of the IEA have a responsibility to operate their business fairly and efficiently and are entitled to a certain amount of deference as the managers of the business. The rules potentially affect a degree of control over a utility's business practices that would place the Commission in the position of substituting its business judgment for that of the utility. To the extent the rules do so, they may be objectionable on the legal grounds that they exceed the Commission's statutory authority.

We urge the commission to pursue the proven route of conducting workshops to gather information and discuss alternatives. Workshops would allow for the discussion of the goals of the revisions and whether those goals could be achieved with more precision and lower costs. For example, several rules apply to the entire residential customer base regardless of need or income guidelines. If the rule was intended to assure the availability of service to those customers who have difficulty paying their bill, making all customers eligible for protection greatly increases the cost of complying with the rules. Ultimately, when this cost is socialized among all customers, rates will be higher than they need to be to accomplish the goal of the revised rule.

For the purpose of these comments, the IEA will briefly note its major concerns about three new rules, beginning with the so-called "winter rule." This rule would allow any customer, regardless of need, who has been disconnected for any reason to be reconnected during the winter months simply by paying 20 cents on the dollar. It also requires that utilities annually survey their customers to determine if they are aware of the rule and whether they have been contacted by their utility regarding the rule. Our analysis of this rule indicates that it will dramatically increase our uncollectible expense and cause the rates of our other customers to increase significantly.

A second rule dealing with creditworthiness, would adversely affect the ability of utilities to protect themselves from fraud. While the IEA fully agrees that applicants for service should be considered based on their creditworthiness regardless of their gender, the proposed rule fails to recognize that it is fair and reasonable when evaluating the creditworthiness of an applicant to consider if the applicant was in the house, benefiting from service at the time a delinquent bill was incurred. Numerous other states, including Michigan and Illinois, recognize and hold applicants accountable for delinquencies incurred when they were in the house, benefiting from the service. Failure to recognize this will allow the account for a residence to be passed from one occupant to another and to another and another, denying the utility an opportunity to protect itself from fraudulent activity and causing increased costs to be passed on to those customers who faithfully pay for the service they receive.

This is not a small problem. The members of the IEA expect, based on their experience, that this requirement will cost millions of dollars due to the inability of the rules to adequately allow utilities to guard against members of a household “daisy chaining” the account to avoid having to pay.

A third major new rule is the requirement that every time a customer begins or ends service, a meter reader must be dispatched to the premise even if the account is in between meter reading cycles. The cost of hiring and training the necessary personnel to comply with this rule will be substantial, as evident by simply thinking of a college town where students regularly move in and out. Importantly, the need to incur such an expense is not convincing when it is understood that the billing systems of utilities are very good at accurately estimating and prorating consumption for partial months. In addition, if a customer is concerned about not receiving an actual meter reading, the IEA members readily cooperate with the customer to assure they are satisfied that they are being billed fairly.

Accordingly, the IEA expects its costs and customers’ rates to increase dramatically if the proposed rules are adopted. We have analyzed the cost impacts on our operations, including increased uncollectibles, increased staffing and training, increases due to having to reconfigure our systems, and frankly the dollars are staggering. As we understand them, and based on industry experience in other states, the proposed rules will increase our costs as an industry by several hundred million dollars, which will

necessarily be passed along as a cost of doing business in Indiana to our customers in the form of rate increases.

Yet nowhere do the rules recognize and provide for the timely recovery of the increased costs that will be created if the rules are adopted as proposed. At a minimum, the use of a rate mechanism such as a bad debt tracker to allow utilities to monitor and recover these costs their costs should be considered and authorized.

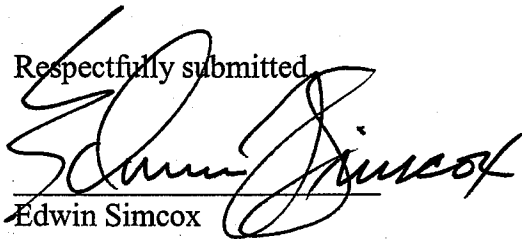
Conclusion

It appears that the departure from the deliberative process usually followed by the Commission when it promulgates rules may be the result, at least in part, of a desire to promptly address the concerns expressed about the deposit rule for gas customers that has been the subject of much discussion both here at the commission and in the General Assembly.

To that end, the IEA offers a suggestion: Instead of rushing to judgment on the entire panoply of rules affecting the relationship between customers and their utilities, the Commission should take a more reasoned approach. First, the Commission should focus and work with stakeholders to settle the primary issue of adequate gas deposit thresholds. We believe there is a good possibility this issue could be settled promptly and agreed to in a non-regulatory instrument. We believe it is possible to accomplish this in a manner which would allow implementation for use in the current heating season.

Attention can then be given to the remaining rules in a separate rulemaking where all concerned can work together to cooperatively and fairly improve the rules and bring them up to date. In the past, the commission has successfully employed workshops as forums to work through difficult issues in a way that allows all concerned to be heard, as well as to listen and learn. Working together in an orderly process, the IEA is confident that customer service rules can developed and implemented that will be the model for the region and the industry.

Respectfully submitted

A handwritten signature in black ink, appearing to read "Edwin Simcox", written over a horizontal line.

Edwin Simcox
President
Indiana Energy Association

Dated: November 12, 2004